



KARLA W. CORCORAN

INSPECTOR GENERAL

May 9, 2003

Thomas A. Schatz
President
Citizens Against Government Waste
1301 Connecticut Avenue, NW
Suite 400
Washington, DC 20036-1838

Dear Mr. Schatz:

The US Postal Service Office of the Inspector General (OIG) received a copy of Ms. Paige's May 1, 2003, letter to David Fineman, Chairman of the US Postal Service Board of Governors, and was shocked to read the exaggerations, mischaracterizations, and complete untruths upon which she based her recommendation for my dismissal. I am particularly surprised at her recommendation since she has often cited our work as support for a common concern for mismanagement and waste at the Postal Service. I am proud of our record and the accomplishments of this office.

I am concerned that Ms. Paige has been misled and relied on misinformation and disinformation provided to her by individuals who are not interested in reducing waste and improving the Postal Service. Those people who are not interested in the truth, embarrass and harm the OIG, the Citizens Against Government Waste (CAGW), and others.

At the outset, I would like you to know that the current situation could have been avoided if Ms. Paige simply accepted my invitation to talk first. Instead, she decided to ignore me and rely on those who are not interested in the truth. The OIG has contacted Ms. Paige several times since the January 24, 2003, Wall Street Journal article in which she expressed displeasure about the OIG's teambuilding activities to discuss this and any other concerns. She has not returned calls or given the OIG any opportunity to discuss these issues, choosing, instead, to denigrate the work of this office and convict me without hearing any portion of the office's or my facts. I hope that Ms. Paige's reporting on other stories is more balanced, thoroughly researched, and objective.

1735 N LYNN ST
ARLINGTON VA 22209-2020
(703) 248-2300
FAX: (703) 248-2291

Therefore, I would like to set the record straight concerning several allegations about my management style and the activities of this office. I am going to address them in turn, starting with the serious allegation questioning the OIG's results.

OIG Results

"The OIG has claimed to have recovered \$2.2 billion in money that could have been put to better uses. ... [however] Postmaster General John Potter took issue with the OIG's earlier claims of \$1.4 billion in potential savings ... [he] stated that more than \$1 billion of that figure was attributable to decisions made by postal management itself."

The figures OIG reported are correct. All monetary benefits disclosed in our audits meet reporting standards established by the IG community. Ms. Paige regularly relied upon OIG findings and used OIG reported savings in five different press releases she issued to attack Postal Service management. Most notably, CAGW's own special report "The U.S. Postal Service: Delivering Waste, Fraud, and Abuse for You," highlighted OIG's 1999 report on the Corporate Call Management program. The report states: "The OIG found that the Postal Service was on a flight path to waste \$962 million dollars – almost \$1 billion dollars!" Now Ms. Paige claims OIG "statistics are misleading" and supports this turnabout with the current Postmaster General's assertion that the savings were attributable to postal management. However, the Vice President of Core Marketing at the time agreed in writing with our recommendation and claimed savings of \$962 million. Obviously, the people complaining to Ms. Paige decided not to tell her about this officer's agreement with our claimed savings.

"Also, a significant portion of the savings claimed by the OIG is the result of investigations done by the U.S. Postal Inspection Service and contract work performed by the Defense Auditing Agency."

Again, CAGW has been misled. The savings claimed by the OIG do not include the result of work by the Postal Inspection Service. The \$2.2 billion in monetary results from FY 1998 through FY 2002 were the direct result of OIG work and includes audit results from Defense Contract Audit Agency of about \$500 million. Since OIG pays for these services and monitors their work, the OIG claims these monetary results, as does every other Inspector General office. Until this OIG was established, little contract audit work had been done on the Postal Service's approximately \$18 billion in contracted goods and services. This OIG has aggressively used the services of Defense Contract Audit Agency to identify hundreds of millions in questioned and unsupported costs to aid the Postal Service in negotiating better and fairer prices for their goods and services. The OIG also contracts with certified public accounting firms and other contractors to perform specialized tasks and work. The OIG pays for these services and is responsible for overseeing and monitoring the work performed. As a result, the

OIG appropriately claims these monetary results, a well established and accepted practice followed throughout the Inspector General community.

"... other federal OIG's with smaller budgets and fewer investigators and auditors issue more work product and produce more savings to the taxpayers. [T]he USPS OIG, with a staff of 750 and a budget of \$117 million, identified \$56.2 million in funds that could be put to better use in FY 2001. In contrast, the NASA OIG, with a staff of 200 and \$23.7 million budget, identified \$892.6 million in potential savings."

The CAGW comparison is not valid and the numbers are incorrect. The OIG budget for FY 2001 was \$113 million, not \$117 million. Of this amount, OIG actually spent only \$82 million. As reported in the OIG Semiannual Reports to Congress for that fiscal year, the OIG identified over \$275 million in monetary benefits. The \$56.2 million Ms. Paige identified is only for funds put to better use, a small portion of the total amount. In fact, for every dollar OIG spent in that year, OIG identified \$3.35 for the Postal Service. This is an excellent return on investment.

The CAGW comparison to NASA OIG bears further scrutiny. A review of NASA OIG's reported funds put to better use since 1998 shows that 2001 was an especially successful year. In the same category for fiscal years 2000 and 2002, NASA OIG reported \$40.6 million, and \$176.5 million, respectively (excluding work performed by contractors). The impressive report for 2001 was due in large part to a single audit that discovered \$675 million in funds that could be put to better use. The program in question was halted by NASA management when brought to light by NASA OIG – not unlike Postal OIG's audit of the Corporate Call program, which Ms. Paige now implies was a "misleading statistic" for the same reasons. I am sure that Ms. Paige was not told of the similarity between this NASA report and the Corporate Call report or she would not have made such a comparison.

Finally, judging the annual success of an OIG merely by a single category of monetary benefits reported—even all monetary benefits reported—is misleading because it ignores the other important roles and responsibilities of such an office. The OIG exists to detect and prevent fraud, waste, and abuse, and promote economy and efficiency in government programs. While many of OIG's audits result in monetary savings, the OIG also plays a role in improving performance, assessing mission needs, and deterring fraud, waste, and abuse. Such reviews do not always result in monetary savings; they do improve Postal Service operations and ensure confidence in mail operations. For example, the OIG:

- Produced an innovative video report that documented unsafe working conditions including potential safety, health, and security violations at a southwest postal facility. When the video was shown to Postal

management, the Postmaster General ordered immediate corrective action.

- Addressed hundreds of Congressional and hotline inquiries related to violence, harassment, and threats in the workplace. This work has raised Postal Service's awareness and importance of addressing these types of issues.
- Identified that the external first class service performance measures used to determine overnight service could be misleading and may not accurately portray the timeliness of their delivery service. As a result, the Postal Service has worked to identify additional performance measures.

Teambuilding

"Team-building activities have become a dominant feature of the [Inspector General's] tenure, to the detriment of the real work."

Teambuilding is not a dominant feature of my tenure. Perhaps, those who don't understand the value of teamwork are obsessed with team-building activities. Therefore, they are incapable of putting these activities in perspective and perceive them as a dominant feature.

Teambuilding events are not detrimental to OIG's work but enhance its accomplishments. These events have been an effective way to maintain a high performing and productive staff, but they consume only a small portion of our time and resources. The OIG has had conferences annually over the last six years, which have included technical training, speakers from Congress and the Postal Service, and employee recognition as well as teambuilding exercises.

Specific teambuilding sessions have only been included in the last two conferences and, while important, cost about \$73,000. Employee time for these teambuilding exercises was six hours over of a total of 40 hours, 15 percent of the total time spent at these two conferences. Teambuilding is a common practice at many federal agencies, quasi-governmental entities, and corporations. At other times during the year, the OIG conducts management meetings as well as sessions for each of the separate OIG teams (legal, investigative, administrative services, human resources, etc.). These activities should not be considered "teambuilding events" because they emphasize audit, investigative, customer service, and management training. This is hardly evidence of a "dominant feature" at the "detriment" of the OIG's work. Again, I am sure that Ms. Paige was misled and was unaware that these annual conferences included technical training, Congressional, and Postal speakers.

"Each of the Inspector General's week-long annual conferences cost more than \$1 million, not including the employees' lost time and cost of work not performed during these events. "

Unfortunately, Ms. Paige was provided inaccurate information. The OIG had provided a table of cost for each annual conference to Senator Grassley's office. The Senator had asked for the employees' salary cost for the time spent at the conferences as well as the total conference cost. The table showed that only by including salary costs, the 4th, 5th, and 6th annual conferences reached a million dollars. However, the actual conference cost in each case was much less than a million dollars. The most expensive conference was the 5th Annual, which lasted four days and cost \$615,000. The length of the conferences has varied with one 4-day, two 3-day, two 2-day, and one 1-day conference. Time spent by employees at the conference is not "lost" time but time well spent because of the knowledge, skills, and abilities acquired and developed and improvement to the quality of our audits and investigations. It is simply misleading to say these conferences cost over a million dollars by including employee time.

I believe the annual conferences are a cost-effective means of providing training to OIG employees. For example, OIG auditors and evaluators are required by Government Auditing Standards to earn 80 continuing professional education credits over a two-year period; OIG has extended this requirement to all OIG employees and employees get credit for training when they attend conferences. The training cost for all six annual conferences ranged from \$500 to \$900 per employee. Most similar courses cost \$1,500 or more.

Relocation

"CAGW has been made aware of rampant abuse of relocation benefits within the OIG. One person received \$198,000 in moving expenses between 1997 and 2002, but moving expenses of between \$60,000 and \$80,000 were not uncommon in the documentation we reviewed, often for multiple relocations."

Again, Ms. Paige was not provided with sufficient data about the Postal Services relocation program. There is no abuse of relocation benefits by the OIG. The average cost of an OIG relocation is actually under \$40,000, slightly lower than for the rest of the Postal Service. OIG moving expenses over \$60,000 represent 18 percent of the moves, while 46 percent of all moves cost less than \$25,000. The OIG does not determine allowable relocation costs but follows Postal policy which defines those allowable costs.

Further, OIG employees are entitled to the same benefits as those in the Postal Service, and one of those benefits is an agency-paid relocation upon retirement for executives. This was the case with the individual Ms. Paige cited who received a total of \$198,000 in relocation expenses. This person was initially relocated when hired, at a cost of approximately \$93,000, and later exercised the

retirement relocation benefit available to all Postal Service executives, at a cost of about \$105,000. Again, all allowable expenses were determined by Postal policy. Therefore, although we agree that relocations can be costly, the payment of \$198,000 was not an abuse of relocation benefits.

The OIG is continuing to work with Postal management to modify its program in areas that the OIG believes to be overly generous. The OIG recently obtained final audit resolution on the \$25,000 miscellaneous expense for officers in the May 2003 Governors' meeting. After more than a year of discussions, the Governors agreed to lower the miscellaneous expense amount for officers to \$10,000, more in line with much of corporate America.

Legal Services

"... Ms. Corcoran has retained the services of a private sector law firm, at a cost of between \$50,000 and \$150,000. The bills have been paid and accounted for under the rubric of research and advice regarding Yellow Book Standards. However, a closer reading of the documentation reveals that a significant portion of the law firm's activities ... is related to legal issues related to whistleblower cases."

Again, Ms. Paige was provided partial and inaccurate information. All work performed by this outside law firm, totaling about \$75,000 over the last three to four years, was done for the benefit of the OIG, not for me personally. The firm was hired initially to review proposed General Accounting Office standards, which would have limited an Inspector General's independence from its parent agency depending on whether the Inspector General was presidentially appointed or appointed by the head of the agency. Ultimately, the issue was resolved that all federal Inspector General offices were independent from their parent agency. The firm also provided an independent analysis of whistleblower allegations. The review of personnel issues by an outside law firm was preferable to an internal review, which would be subject to criticism as self-serving.

"What is the justification for this additional legal expenditure when IG is already provided with a coterie of lawyers at Postal Service expense?"

This question by Ms. Paige is certainly understandable. While the OIG does have a staff of its own attorneys, these attorneys are fully engaged dealing with the many and often complex issues of dealing with a \$70 billion business. From time to time, the OIG in-house legal staff encounters situations that cannot and should not be addressed internally. Further, many of these situations should not or cannot be addressed by the Postal law department, for reasons of independence. Through the Inspector General Act, the OIG has the authority and right to engage the services of outside legal counsel when such circumstances indicate a need for independent legal advice. Postal Service

policy authorizes the hiring of outside counsel. Other components of the Postal Service, not just OIG, use outside law firms.

"... the documentation indicates that these private lawyers have been paid to engage in research regarding compensation, pension and retirement issues for Ms. Corcoran herself."

Ms. Paige's allegation in this instance is understandable if she was given only the law firm's invoice. Unfortunately, the invoice is not clear as to what services were provided and Ms. Paige drew an incorrect conclusion. However, a review of the law firm's opinions clearly shows that this outside counsel has never been engaged or been paid by the OIG for matters relating to me in my personal capacity. The specific work to which she is referring to concerned clarification of the unique seven-year term for the Postal Service Inspector General. Beyond establishing a seven-year term, the law was silent. There was no legislative history, and no other Inspector General had term limits where we could ask for guidance. To assure that future Inspectors General hired under this seven-year term limit would have safeguards comparable to safeguards in other inspector general offices, the OIG sought the opinion of an independent law firm and a partner who had extensive congressional experience relating to inspectors general. The purpose of this opinion was to obtain clarification through legislative changes or other means.

May 5 Press Release

I would also like to address the issues raised in CAGW May 5 press release that again rely on inaccurate information.

"There are credible reports...that criminal investigators in the IG's office were told by the IG's team, presumably under the supervision of Ms. Corcoran, to report to work armed and that their assignment for that day was to ensure that no media crews gained unauthorized access to the building...They are not Ms. Corcoran's personal security force, nor do their job descriptions include protecting the building from the media."

This statement was irresponsible, absurd, and completely untrue. It is a complete fabrication again by people who so not care about the truth. We were not asked by Ms. Paige about this. I was not present in the building at any time that day because of prior commitments. Further, no one was asked to do anything different in terms of security for the building other than the investigator, in charge of security, asked his security staff to have their suit jackets handy in case the press ignored OIG requests to leave the premises or tried to access secure areas.

It is unreasonable and unfounded to conclude that the IG and her entire management team ought to be placed on administrative leave in order to prevent

any type of retaliation against employees and to restore some semblance of professionalism. For your information, the OIG has issued numerous internal memos to staff to reassure them that they should cooperate with the investigations without any fear of retaliation. If, indeed, any manager is found to retaliate, they can be subject to criminal sanctions. I take whistleblower protection seriously, and have fought to improve protections for postal employees since taking this position in 1997. In fact, as a result of our interest in protecting whistleblowers, the Postal Service has finally agreed to make formal improvements to the process that covers non-bargaining unit employee whistleblowers, including OIG employees.

As indicated above, all of Ms. Paige's allegations are inaccurate, unfounded or lack any credibility. I am disappointed Ms. Paige reported allegations without verification or notification and in such a biased and inflammatory manner. CAGW should publicly apologize to each and every dedicated employee of the OIG for her lack of professionalism and disregard for the truth. By printing unsupported allegations, CAGW has damaged the reputation of the organization and undermined the diligent efforts of the OIG staff. They are dedicated public servants.

My goal has always been to promote economy and efficiency in the Postal Service. Hopefully, this information will assist you in assessing the accuracy of the CAGW information, and the credibility of the allegations Ms. Paige has assumed to be true. I would be happy to share the supporting documents for all the information that I have presented in this letter, as I would have done earlier to assure that the CAGW story was accurate, if only Ms. Paige had asked. Unfortunately, the individuals providing Ms. Paige with most of her data have no more interest in maintaining CAGW's credibility and reputation than they have in maintaining the OIG's.

In just a few years, the Postal OIG has risen to the challenge and become both productive and a leader in the Inspector General community. I challenge you and the CAGW to take time to find the truth and post my response to your website.

Sincerely,



Karla W. Corcoran

cc: CAGW Board of Directors
Senator Grassley
Senator Dorgan
Senator Wyden
USPS Board of Governors

Mr. Walker, Comptroller General of the United States
Mr. Johnstone
Ms. Paige, Vice President, CAGW